



# County of Los Angeles CHIEF ADMINISTRATIVE OFFICE

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October 28, 2005

To: Supervisor Gloria Molina, Chair  
Supervisor Yvonne B. Burke  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich  
From:   
David E. Janssen  
Chief Administrative Officer

## WASHINGTON, D.C. UPDATE

### Federal Fiscal Year (FFY) 2006 Budget Reconciliation Legislation

After delays in the aftermath of Hurricane Katrina, Congressional committee action finally has begun on budget reconciliation legislation, which would significantly cut entitlement (mandatory) spending programs for the first time since 1997. The Congressional budget resolution for FFY 2006 included budget reconciliation instructions for Congressional committees to cut mandatory spending by a combined total of \$34.7 billion over five years (FFYs 2006-2010). Medicaid, which accounts for nearly half of all Federal aid to the State and local governments in California, was slated for \$10 billion in spending cuts.

The Congressional Republican leadership, however, is pursuing even deeper budget reconciliation cuts in order to help finance disaster relief and recovery costs. On October 26, 2005, the Senate Budget Committee approved a budget reconciliation package with a net \$39.1 billion in mandatory savings over five years. House committees have been working on proposals that would result in at least \$50 billion in net mandatory spending cuts. Before committee action began, we had been most concerned about the impact of Medicaid cuts on California and the County. However, as explained in greater detail below, the Senate version would not have any significant impact on Federal funding on the County, but the House Ways and Means Committee bill includes major cuts in welfare entitlement programs, in particular, child support enforcement.

**Welfare Mandatory Spending Proposals:** The Senate Budget Committee's budget reconciliation bill does not include any cuts in any welfare entitlement programs, such as Food Stamps, Temporary Assistance for Needy Families (TANF), Title IV-E foster care, and child support enforcement. However, on October 26, 2005, the House Ways and Means Committee, along party lines, approved a budget reconciliation package with \$8 billion in net mandatory spending cuts over five years even though the Budget Resolution instructed the Committee to cut such spending by only \$1 billion.

The Ways and Means Committee reconciliation bill would reduce the Federal match rate for state and local child support enforcement administrative costs from 66% under current law to 62% in FFY 2007, 58% in FFY 2008, 54% in FFY 2009, and 50% in FFY 2010, and eliminate the ability of states to use performance incentive payments as matching funds, beginning in FFY 2008. According to Congressional Budget Office (CBO) estimates, these proposals would reduce Federal child support spending by more than \$5.8 billion over five years and \$15.8 billion over ten years. In FFY 2004, the most recent year for which actual data is available, California received \$740.8 million, or 18.83% of the total Federal child support funding. Assuming that California's share of the total spending reduction also is 18.83%, the State would lose about \$3 billion over the next ten years.

The Ways and Means Committee bill also included a Title IV-E foster care proposal, which would disproportionately hurt California by overturning the Rosales v. Thompson decision, which only applies to states in the Ninth Circuit. According to the County Welfare Directors Association (CWDA), overturning the decision would deny Federal foster care eligibility for certain children living with relatives, resulting in an estimated \$23.6 million annual loss.

The Committee's budget reconciliation bill also includes language to extend child welfare demonstration project authority and Temporary Assistance for Needy Families (TANF) through FFY 2010. TANF expired in 2002 and has been extended through a series of short-term extensions through December 31, 2005. As approved by the Committee, the bill would increase the work participation requirements and reduce flexibility to TANF participants in meeting those requirements. The bill provides only \$200 million over five years in new child care funding, which is far less than the amount needed to meet the increased demand for child care for the additional number of TANF participants who would be required to engage in specific work-related activities. The Senate version does not include any TANF reauthorization language.

**Food Stamps:** The Senate budget reconciliation bill does not include any Food Stamp cuts, but the House Agriculture bill, which was approved today, includes an estimated \$844 million in Food Stamps savings over five years of which \$569 million comes from a proposal that would not affect California. However, another proposal to save an estimated \$275 million by increasing the current five-year ban on Food Stamp eligibility for legal immigrants to seven years would disproportionately hurt California, which has a

large legal immigrant population. The new seven-year ban would be temporary, reverting back to a five-year ban on September 30, 2010. An earlier draft version would have made immigrants ineligible during their first ten years in the country. The bill also would give the Secretary of Agriculture the discretion to fully reimburse states for the cost of administering Food Stamp benefits under the Disaster Food Stamp program during the Presidentially declared emergency in response to Hurricanes Katrina or Rita.

**Medicaid:** Neither the Senate bill nor the Medicaid budget reconciliation bill approved by the House Energy and Commerce Committee today includes any Medicaid proposals that would significantly affect Medicaid funding to California. In fact, the Senate bill includes only \$4.3 billion in net Medicaid savings over five years. Senate Finance Committee met the balance of its \$10 billion savings target through Medicare cuts. Most of the Senate's Medicaid savings are in the form of prescription drug pricing reforms, which would result in State as well as Federal Medicaid savings. The Energy and Commerce Committee's bill would result in an estimated \$9.5 billion in Medicaid savings with much of the savings coming from prescription drug reforms, asset transfer reforms, and increases in co-payments and charges that would be borne by Medicaid recipients.

There is a provision in the Energy and Commerce bill that would phase out the ability of states to use managed care organization (MCO) fees to finance the non-Federal share of Medicaid costs. This proposal would reduce Medicaid payments to states, such as California, which impose such fees. The State would be allowed to continue to impose MCO fees in the Senate version. Of major importance to the County, neither the Senate nor House version includes the President's budget proposals to restrict the use of intergovernmental transfers and to limit Medicaid payments to public providers, which could have reduced the County's annual Medicaid revenue by \$240 million.

**Broadcast Spectrum Sale:** The Senate Budget Committee's budget reconciliation bill sets a deadline of April 7, 2009, for broadcasters to complete the transition from analog to digital television, and clears 24 MHz of spectrum in the 700 MHz band for public safety use. The sale of the additional spectrum is projected to raise \$10 billion. Of that amount, \$5 billion is used to meet budget reconciliation targets with the remaining balance deposited in a new Digital Transition and Public Safety Fund ("Fund"). The bill directs the Secretary of Commerce to use \$1.25 billion from this fund for emergency communications, including \$1 billion for interoperable communications grants, \$200 million to implement a national alert system, and \$50 million for tsunami warning and coastal vulnerability programs.

On October 25, 2005, the House Energy and Commerce Committee approved its version, which sets a deadline of December 31, 2008, for broadcasters to complete the transition to digital television. The Committee approved an amendment by Telecommunications and the Internet Subcommittee Chairman Upton (R-MI) to set aside \$500 million for an interoperability grant program, but rejected on a 24-24 tie

vote an amendment by Representative Stupak (D-MI) to provide \$5.8 billion for a public safety interoperability program. Both bills are similar to H.R. 1646 (Harman, D-CA), the Homeland Emergency Response Operations (HERO) Act, which sets a January 1, 2007, deadline to transition to digital television, but does not specify how the proceeds from the sale of freed up spectrum should be utilized. Congress is not expected to take any action on H.R. 1646 because the budget reconciliation bill is the vehicle for legislation relating to the sale of broadcast spectrum.

The County's Washington advocates have been working to mitigate the potential loss of Federal funding for California and the County. Attached are letters sent by CWDA and the American Public Human Services Association, which object to the budget reconciliation language approved by the House Ways and Means Committee. We also have been pursuing funding from the spectrum sale proceeds, which would help the County's public safety agencies to improve interoperable communications and convert to the new public safety spectrum.

Next week, the House Budget Committee is expected to consolidate the budget reconciliation bills approved by authorizing committees into a single package, and the Senate is expected to debate its budget reconciliation bill. Because of the substantial differences between the House and Senate reconciliation proposals, particularly with respect to TANF, child support enforcement, and foster care, conference negotiations are expected to be difficult and contentious.

We will continue to keep you advised.

DEJ:GK  
MAL:MT:hg

#### Attachment

c: Executive Officer, Board of Supervisors  
County Counsel  
All Department Heads  
Legislative Strategist



**County Welfare Directors Association of California**

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October 25, 2005

Dear Ways and Means Committee Member:

The County Welfare Directors Association of California (CWDA) strongly opposes the proposed fiscal year 2006 reconciliation recommendations to be considered by the House Ways and Means Committee. The bill would harm the State's most vulnerable children and families and place new and unnecessary administrative mandates on county human services agencies. We urge that the bill be defeated.

Some of our objections to the bill's provisions follow.

**Child Welfare Provisions:** The bill would restrict the use of federal Title IV-E funds for abused and neglected children, making it even more difficult to keep children out of foster care in the first place, to place them with relatives instead of strangers when removal is necessary and to reunite them with their parents when it is safe to do so.

Specifically, the Committee mark:

- Overturns the Rosales court decision, denying federal foster care eligibility to an estimated 5,100 children in California. Cutting benefits to these low-income families could destabilize them and force children to be placed with complete strangers – undercutting the federal requirement to place children with relatives whenever possible. California stands to lose an estimated \$23.6 million in federal funds annually if this change is enacted. (Section 8407, page 96)
- Incorporates a set of regulations proposed by the Administration that are universally opposed by children's advocates because they are in direct conflict with the federal child welfare outcome measures that states must meet. These changes to Title IV-E would severely hinder our efforts to keep children out of foster care and force states and counties to bear the costs of case management for federally-eligible children who are placed in the therapeutic settings they need in order to overcome the abuse and neglect they have suffered. (Section 8408, page 102)

**Temporary Assistance to Needy Families:** Rather than building upon the success of TANF, many of the bill's provisions would make it more difficult for families to become self-reliant. Additionally, a number new federal mandates would make it more difficult for county agencies to administer the program. Our concerns include, but are not limited to:

- The narrowed definition of "direct work" activity unnecessarily limits state flexibility and will make it more difficult to engage clients in the range of activities they may need to attain self-sufficiency. (Section 407, page 36, line 4)

- Requiring full family sanctions for non-compliance would unfairly punish children for the actions of their parents and limit states' ability to determine the best method of engaging parents in welfare-to-work activities. Further, research provides no evidence that full family sanctions are effective. (Section 407, page 36, line 15)
- The drug testing requirement for applicants/recipients will divert our scarce resources away from needed employment services and child care and toward an expensive system of drug testing, retesting and monitoring. (Section 8122, page 78)
- The universal engagement requirement does not recognize states, like California, that have already enacted similar requirements and are in the process of implementing them. Any penalty for failure to implement universal engagement will only further undercut states' ability to engage clients and provide the services they need to find and retain employment. (Section 8109, page 25, line 7)
- The bill limits rehabilitation activities to three months in a 24 month period. When needed, these services are critical supports to achieving long-term self-sufficiency and they should count as participation for an individual for a longer period of time. Failing to provide these services to individuals who need them will ultimately have the effect of swelling the long-term welfare rolls. (Section 407, page 34, line 7)
- Substantial new data reporting requirements that focus on process rather than results will create more bureaucracy and do nothing to assist TANF recipients. (Section 8113, beginning on page 44, line 8)
- Rather than recognizing that the additional work requirements will necessitate a substantial new investment in support services, the bill provides only \$200 million over five years in new child care funding (Section 8201, page 81). California might hope to receive about \$20 million of this funding each year, in sharp contrast to the \$375 million to \$450 million annual cost that the non-partisan California Legislative Analyst's Office has estimated. States and counties will be forced to decide whether to limit child care for TANF participants; to cut other services and grant levels; or to further squeeze out working-poor, non-TANF families from access to the subsidized child care market.

For all of the above reasons, we strongly urge you to reject the Ways and Means Committee reconciliation recommendations. The Committee's bill would do direct and substantial harm to some of the nation's most vulnerable children and families. It also makes the job of human services agencies – whose mission is to provide necessary services to promote self-sufficiency and keep families intact whenever possible – even more difficult.

If you have questions about our positions, please contact Tom Joseph, Director of CWDA's Washington, D.C. Office at 202/898-1444.

Sincerely,



Frank J. Mecca  
Executive Director



October 25, 2005

The Honorable William Thomas, Chair  
Ways and Means Committee  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Charles Rangel, Ranking Member  
Ways and Means Committee  
U.S. House of Representatives  
Washington, DC 20515

Dear Chairman Thomas and Congressman Rangel:

I am writing on behalf of the American Public Human Services Association (APHSA) to urge the Committee to oppose proposals to reduce the federal government's commitment to child support, child welfare and other critical human service programs that serve the most vulnerable children and families in our nation.

First, we urge you to reject the proposal to reduce the administrative match rate from the current level of 66 percent to 50 percent for the child support enforcement program. Administrative functions, such as paternity establishment, court orders, new hire directories, IRS interfaces, interstate collections, and automated distribution of collections are the very core of the child support program. Reductions of the magnitude contained in the proposal pending before the Committee—more than \$4 billion over five years—will seriously erode the effectiveness of this critical program. In the Administration's FY 2006 budget proposal, the Office of Management and Budget rated the federal child support enforcement program among the highest, most efficient programs in the federal government. Since the enactment of welfare reform, states implemented dozens of federal mandates that resulted in a record number of child support collections, more than \$21.2 billion annually. The child support program provides critical financial support to more than 16 million families, many of whom transitioned off of welfare or avoided welfare altogether due to this valuable program. Numerous studies have found that every dollar invested in administering the program, generates four dollars in collections. Reducing these investments may result in one or more of the following—a reduction of collections made on behalf of families, an increase in child support caseloads, and reconsideration of state policies to pass through a greater share of collections to families or increased numbers of families seeking welfare assistance.

Second, we urge you to oppose the proposals to reduce federal support for children in the foster care system—those who are battered, abused and neglected. Over the past two years, the House Ways and Means Subcommittee on Human Resources convened more than a half dozen hearings on the challenges facing public child welfare systems. Those hearings exposed the fact that states and the federal government must engage in a full partnership to improve the outcomes for

children and families in the child welfare system. But, over the years, federal funding has seriously eroded and today, the federal government supports fewer than half of the children in foster care. With these facts in mind, we are greatly concerned that the Committee targets child welfare for significant reductions. While the Adoption and Safe Families Act specifically directs states to give preference for relative placements, the proposal pending before your Committee would reduce federal matching funds for foster and adopted children placed with relatives. Eliminating federal participation in the administrative costs for otherwise eligible children in a safe placement with a relative hinders the ability of states to ensure that family connections are kept at a time when a child is removed from their parents' care. While this prohibition of federal funding will affect all children in care of relatives, it is important for the Committee to consider that in many states this proposal will have a disproportionate impact on African-American children and families and other families of color.

Also, we oppose the proposal to limit the application of the *Rosales v. Thompson* decision, which makes children being cared for by relatives IV-E-eligible. The nine states directly impacted by the *Rosales v. Thompson* decision in the Ninth Circuit Court of Appeals estimate that tens of thousands of children living with relatives would now be eligible for federal Title IV-E Foster Care payments. The support that federal financial participation allows a state to provide a relative caring for a child in foster care is critical to ensuring a stable placement. Summary information on the results of the Child and Family Services Reviews released by the Children's Bureau has indicated that relative placements provide for increase placement stability, well-being and educational success of children in foster care. By any measure, these outcomes are positive and should be supported by ensuring IV-E funds that support relative placements.

Third, APHSA has supported the reauthorization of welfare reform and has urged the Congress to act quickly outside of the reconciliation process. It is evident that the cost of proposed welfare reauthorization would come at the expense of other critical human service programs—child support, child welfare and child care. Earlier this year, the House Ways and Means Subcommittee on Human Resources approved HR 240, the welfare reform reauthorization bill that included \$1 billion in additional funding for child care mandatory funding and \$1 billion in discretionary funding. We were particularly concerned that the approved funding level has been reduced by 50 percent in the proposal pending before the full Committee. While the bill significantly increases the work participation requirement on TANF clients, the child care funding proposed is inadequate to support the increased number of clients required to work and the increased hours of work mandated in the bill. Finally, we oppose the elimination of the TANF High Performance Bonus—a cut of \$1 billion to the program that has been reinvested by states to support welfare-to-work initiatives.

We urge the Committee to reject proposals to reduce federal support for vulnerable children and families. If you would like any additional information on the impact of these proposals, please feel free to contact Elaine Ryan at (202) 682-0100.

Sincerely,

Jerry W. Friedman  
Executive Director